

Legislative Services Agency Fiscal Services Division

Revenue Estimating, General Fund Revenue, and Economic Conditions

January 19, 2017

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General Fund Revenue History and Economic Outlook

- **Revenue Estimating Conference (REC)**
- **General Fund Revenue Long-Term Trends**
- **General Fund Revenue Sources and Shares**
- **Revenue Estimating Conference Accuracy**
- **U.S. Employment and Income Trends**
- **U.S. and Iowa Unemployment Claims**
- **Iowa Employment and Income Trends**
- **Iowa Workforce and Population**

Revenue Estimating Conference (REC)

Established in Iowa Code Section 8.22A

- **The REC was established in the late 1980s as a way to stabilize and coordinate the revenue estimates used by the Governor and Legislature when establishing budgets for the upcoming fiscal year.**
- **The REC is responsible for providing periodic estimates of General Fund revenue available for the budgeting process.**
- **The REC estimates the level of net General Fund revenue for the current and one future fiscal year. At the March meeting, the REC also provides a revenue projection for an additional future fiscal year.**
- **The Legislature and Governor are required to use the December REC estimate when developing General Fund budgets for the upcoming fiscal year.**
- **If the REC subsequently lowers the estimate for the upcoming year, the lower estimate must be used. If a subsequent REC increases the estimate, the December estimate must still be used.**

Revenue Estimating Conference (REC)

- **The REC meets at least three times each year.**
- **The REC is composed of three members:**
 - **One member appointed by the Governor (Department of Management Director David Roederer)**
 - **One member appointed by the Legislature (LSA Fiscal Division Administrator Holly Lyons)**
 - **One member agreed to by the first two (David Underwood)**

Revenue Estimating Conference (REC)

- **The General Fund revenue estimate is composed of several pieces, including:**
 - **Cash tax receipts for July 1 through June 30.**
 - **Cash other receipts for July 1 through June 30.**
 - **Accruals of tax and other receipts associated with the fiscal year hold open period after June 30. This adjustment converts cash receipts to a fiscal year basis.**
 - **Refunds paid from fiscal year receipts.**
 - **Fiscal year Lottery receipts and other transfers to the General Fund.**
- **The combination of these projections provides the estimate of total net General Fund revenues available during the current and one future fiscal year.**

Revenue Estimating Conference (REC)

- **Sources of assistance in the Revenue Estimating process:**
 - **Iowa Department of Revenue tax analysis**
 - **LSA and Department of Management research & analysis**
 - **Widely available sources of economic indicators (federal Bureau of Labor Statistics and Bureau of Economic Analysis)**
 - **Estimates of law changes projected to impact net revenue (fiscal notes and Contingent Liabilities Report)**
 - **Moody's Economy.com**
 - **Regional Economics Models, Inc. (REMI)**

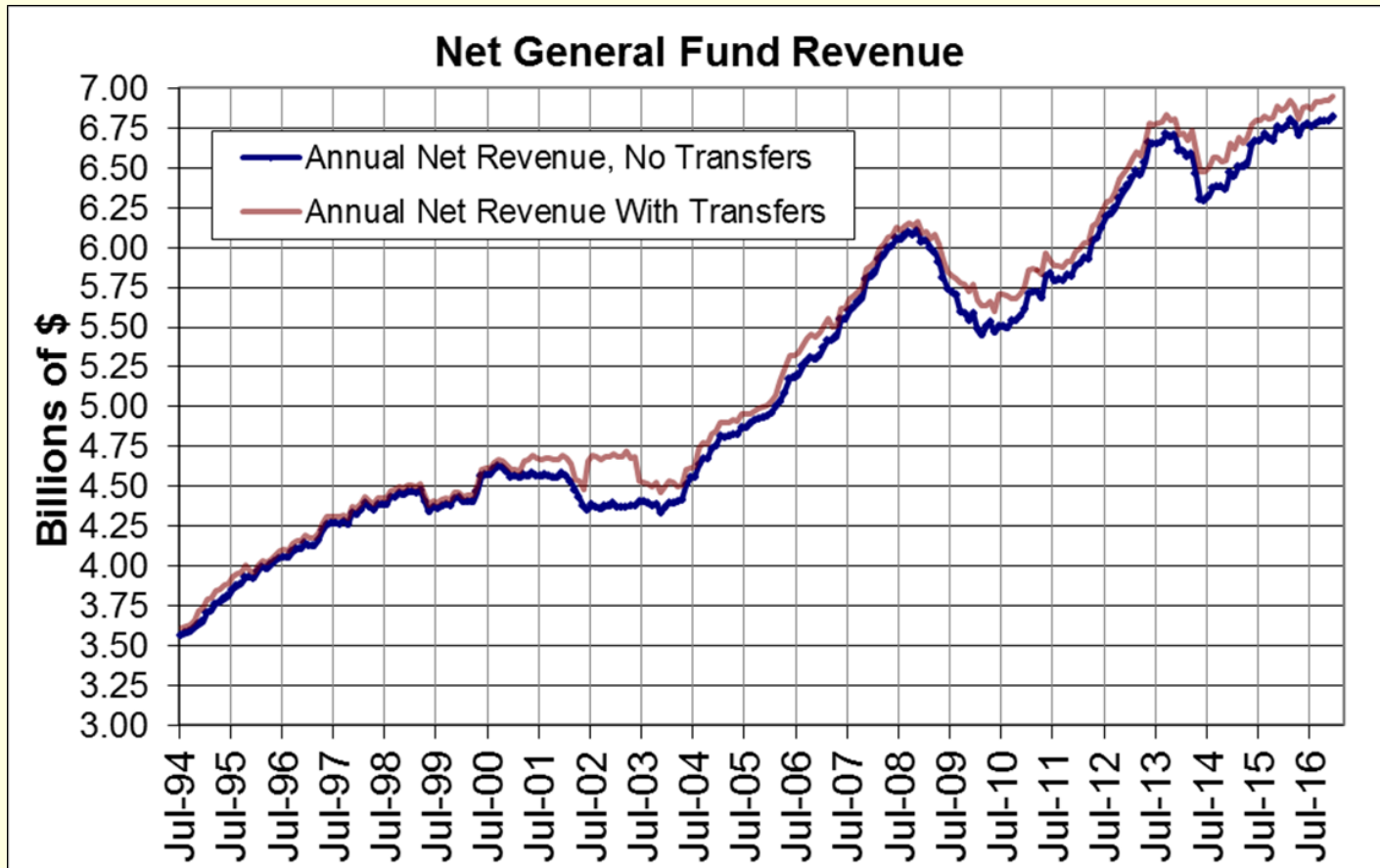
Revenue Estimating Conference (REC)

Revenue Estimating Conference Projection

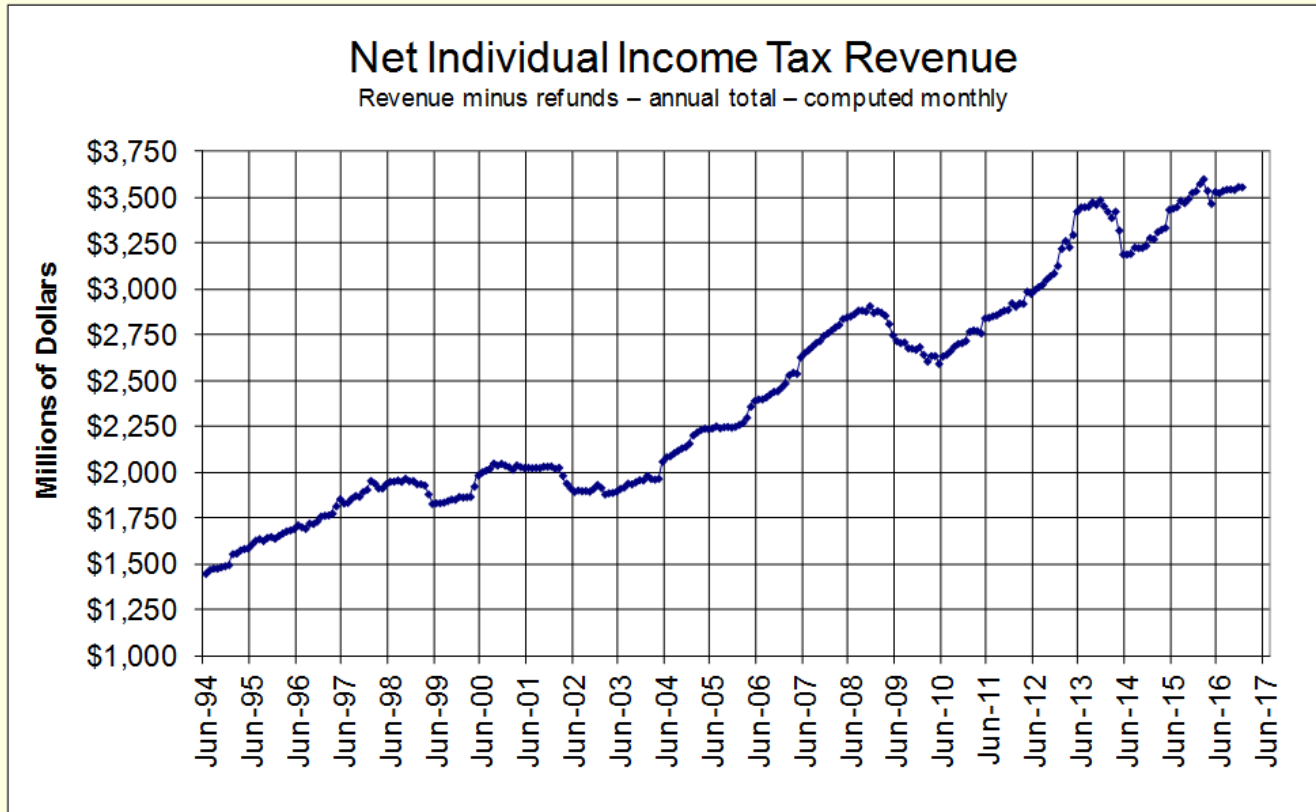
Dollars in Millions

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Estimated FY 2017	Estimated FY 2018
Income Tax	\$3,974.9	\$4,207.3	\$4,355.5	\$4,608.1	\$4,854.2
Sales/Use Tax	2,642.3	2,753.0	2,810.5	2,864.7	2,989.8
Corporate Tax	549.6	576.3	520.5	531.4	546.4
Insurance Tax	105.6	109.6	91.8	82.1	86.3
Other Taxes	149.2	149.8	187.4	183.2	185.6
Total Taxes	\$7,421.6	\$7,796.0	\$7,965.7	\$8,269.5	\$8,662.3
Other Receipts	289.0	294.9	297.0	290.5	290.2
Gross Tax & Other Receipts	\$7,710.6	\$8,090.9	\$8,262.7	\$8,560.0	\$8,952.5
Accruals (Net)	-16.2	19.6	14.2	36.6	10.7
Refund (Accrual Basis)	-955.3	-967.9	-1,018.3	-1,013.0	-1,018.0
Schl. Infrs. Refunds (Accrual)	-440.4	-450.5	-466.9	-470.6	-490.8
Total Net Receipts	\$6,298.7	\$6,692.1	\$6,791.7	\$7,113.0	\$7,454.4
Transfers (Accrual Basis)	188.9	127.6	129.4	98.9	101.9
Net Receipts Plus Transfers	\$6,487.6	\$6,819.7	\$6,921.1	\$7,211.9	\$7,556.3
Year-over-year Incr./Decr.	\$-281.2	\$332.1	\$101.4	\$290.8	\$344.4
% Growth	-4.1%	5.1%	1.5%	4.2%	4.8%

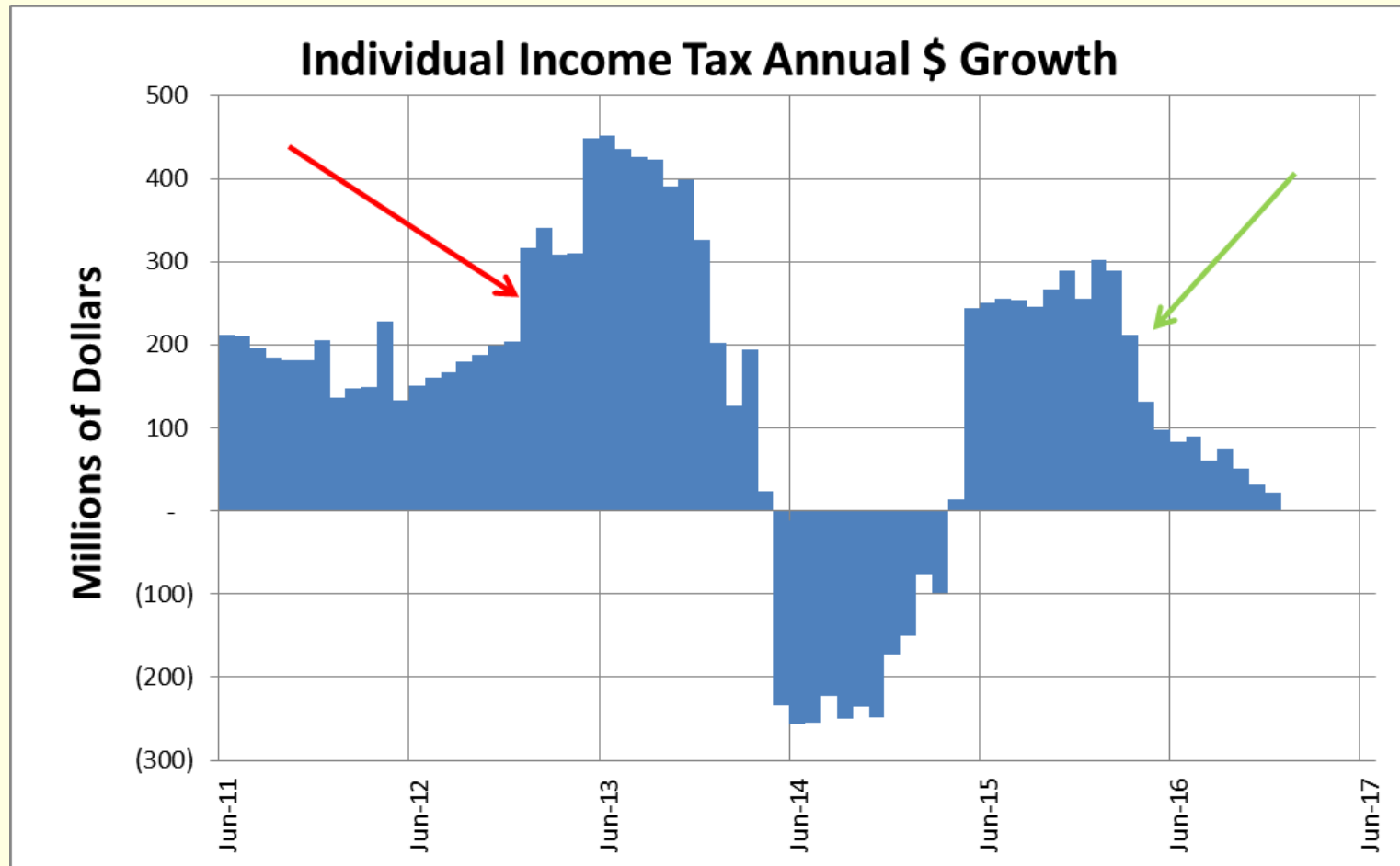
General Fund Revenue History – With and Without Transfer Revenue



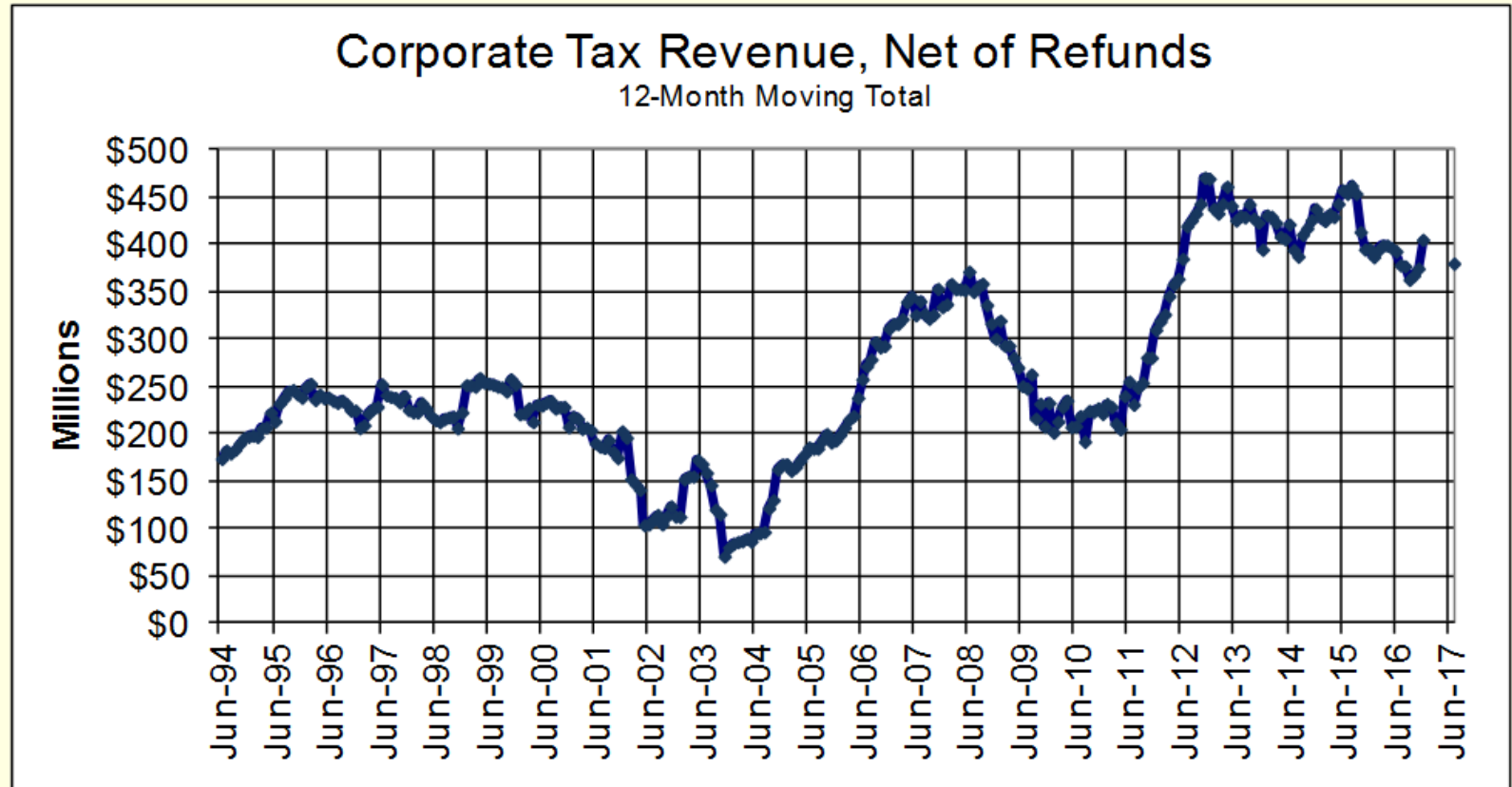
General Fund Revenue History – Individual Income Tax



General Fund Revenue History – Individual Income Tax

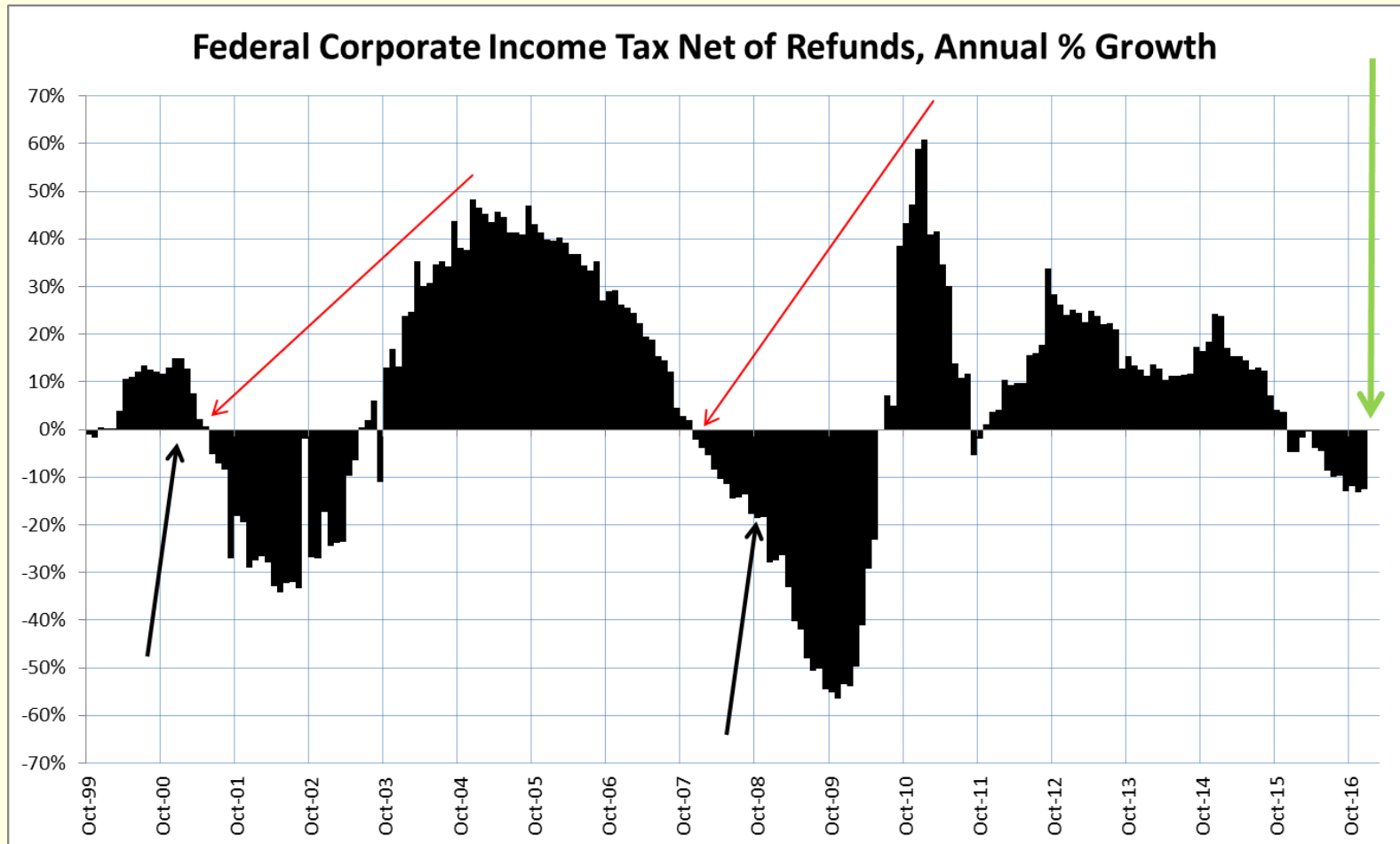


General Fund Revenue History – Corporate Income Tax

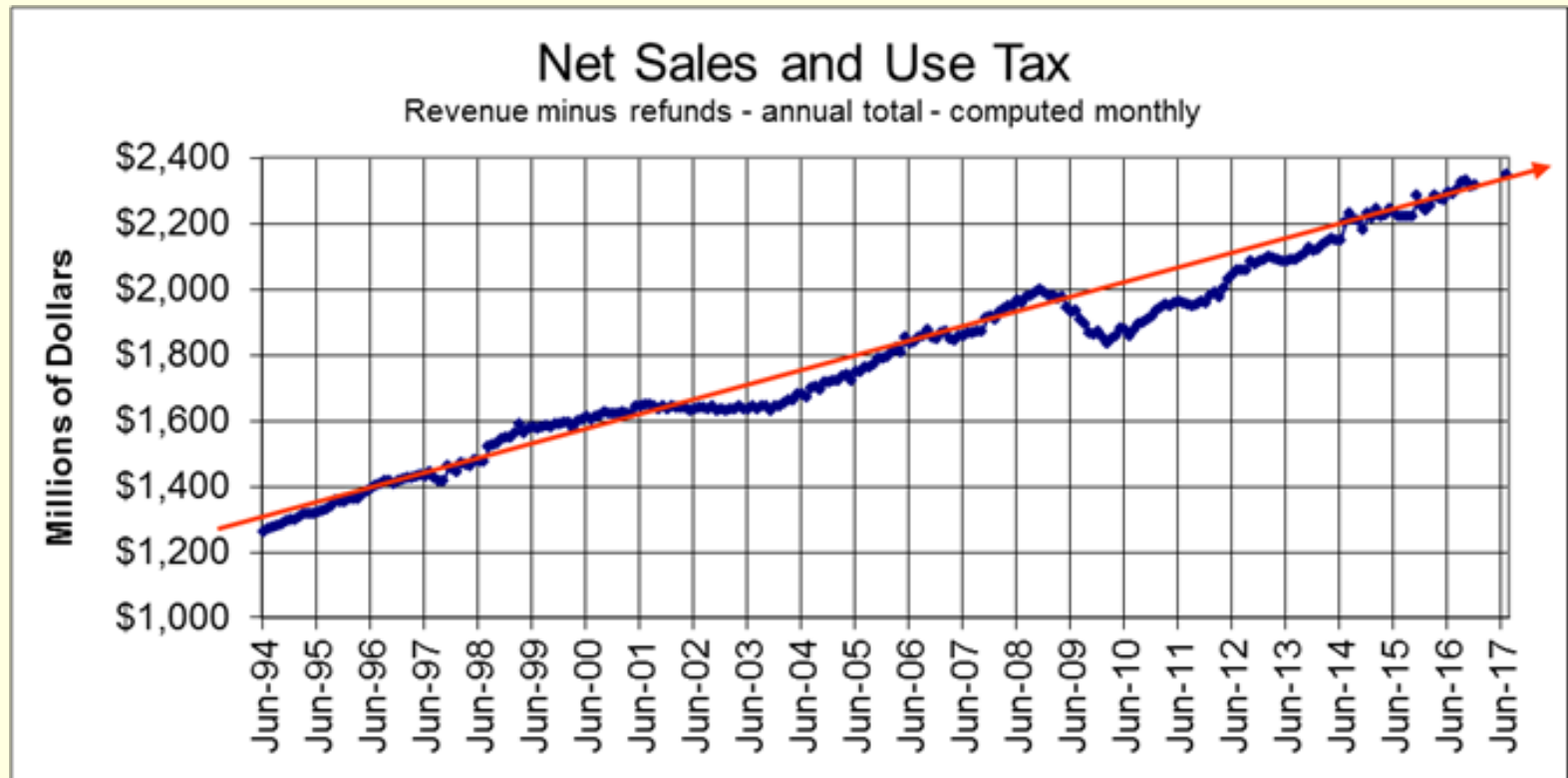


Corporate Income Tax (Federal Receipts)

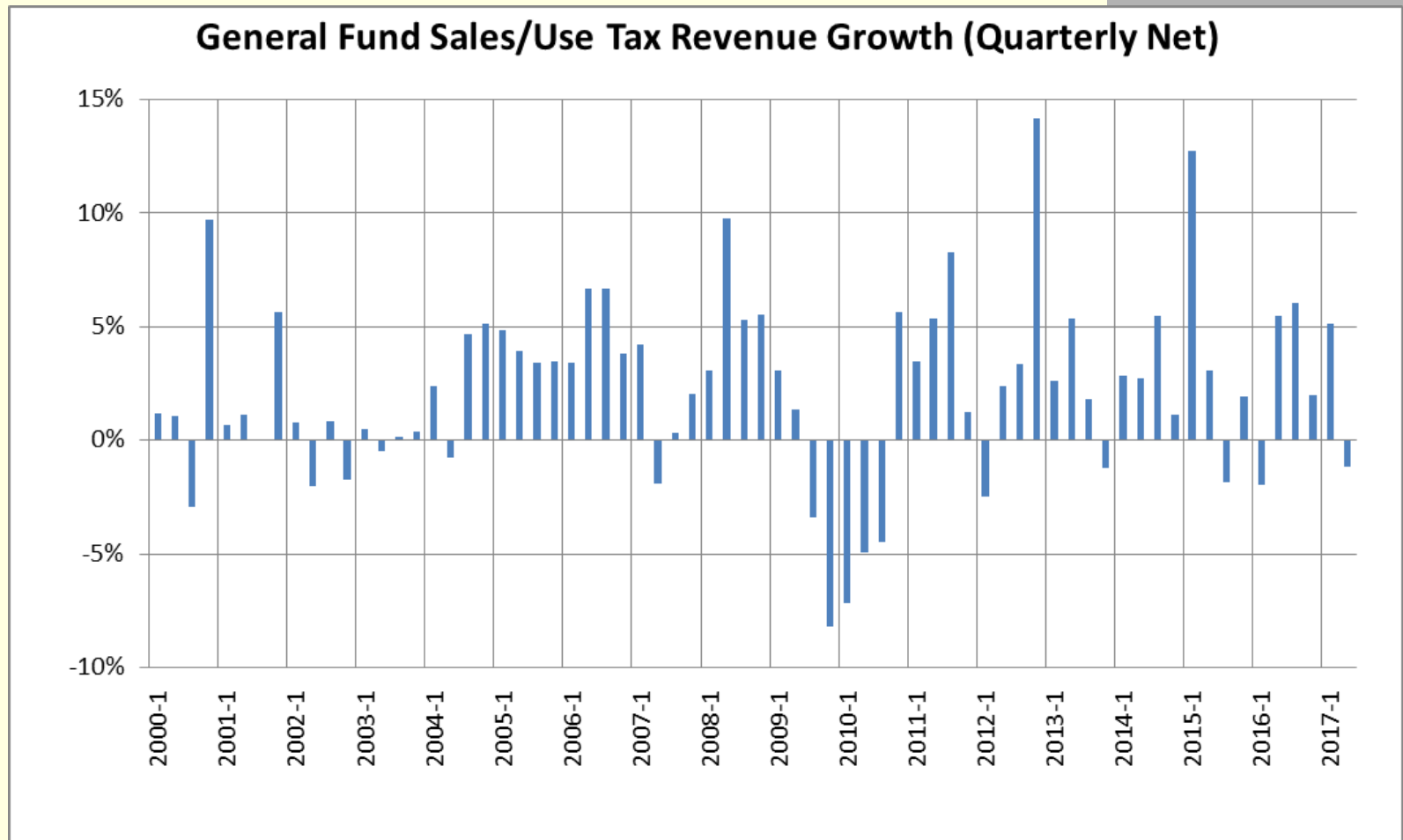
Red Arrows = Recessions, Black = Iowa Revenue Peaks



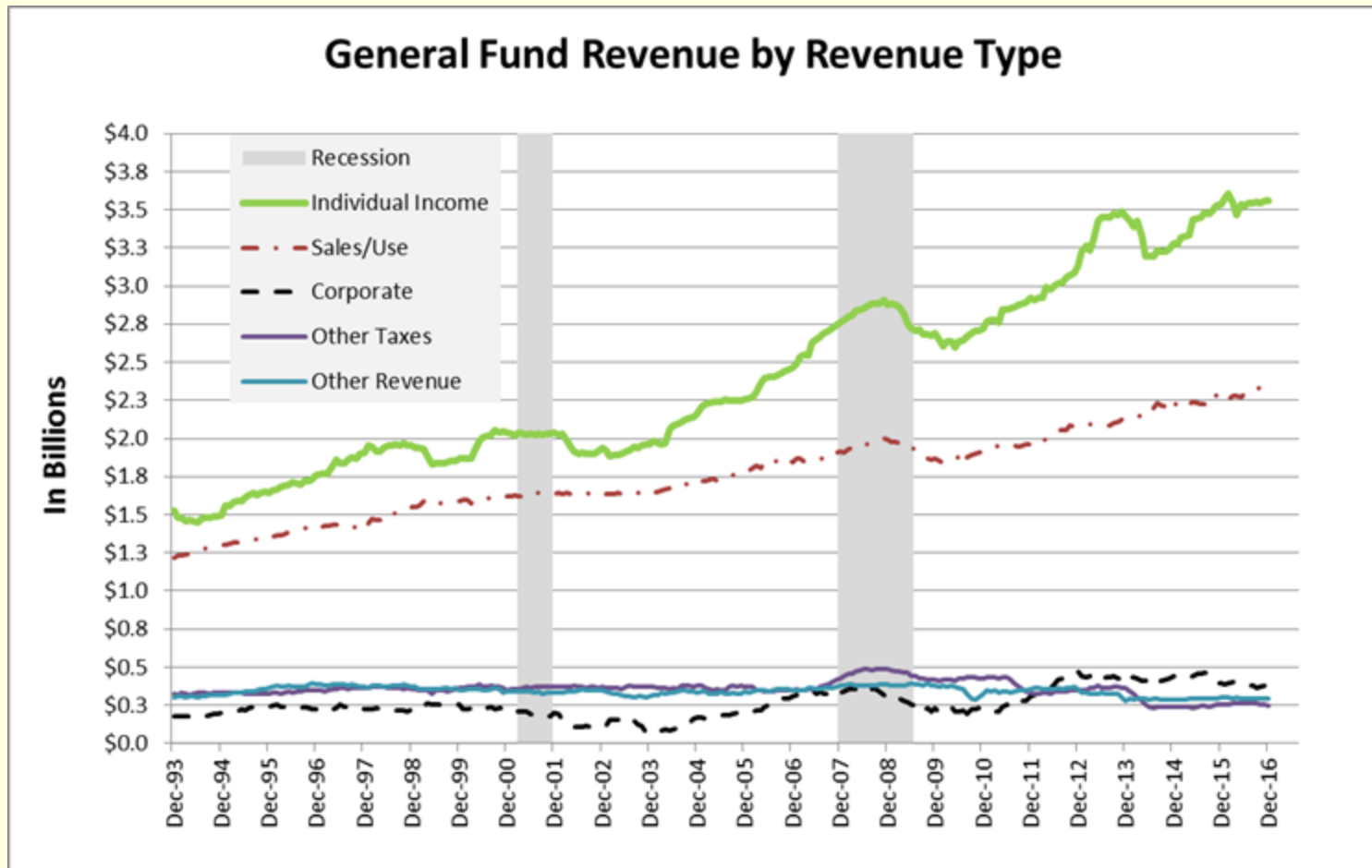
General Fund Revenue History – Sales/Use Tax



General Fund Revenue History – Sales/Use Tax – Quarterly Net Revenue

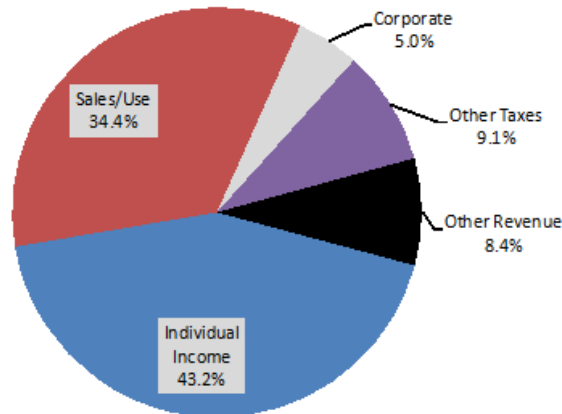


General Fund Revenue History – Revenue Categories

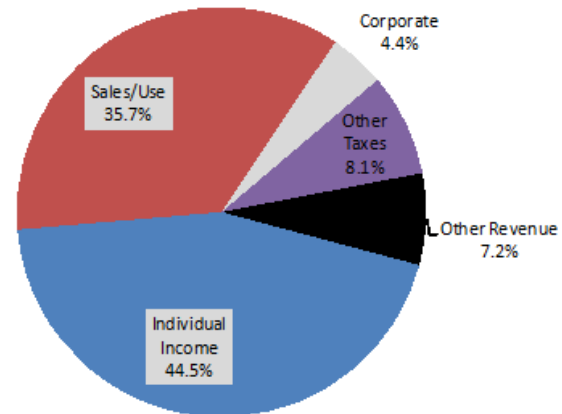


General Fund Revenue History – Revenue Source Distribution

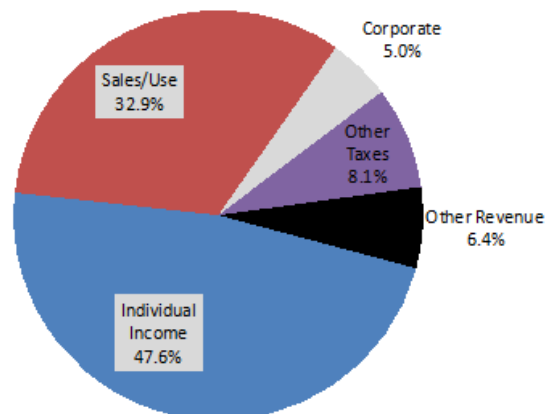
12 Months Ending December 1993



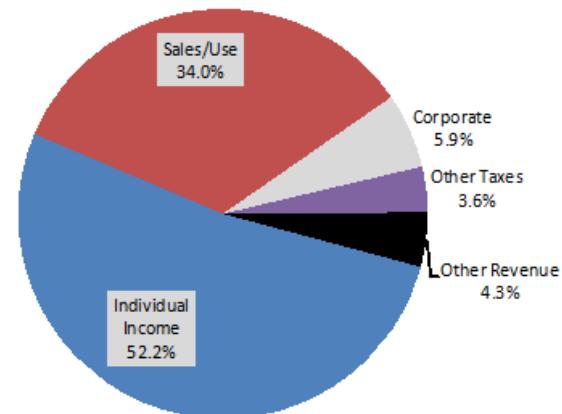
12 Months Ending December 2001



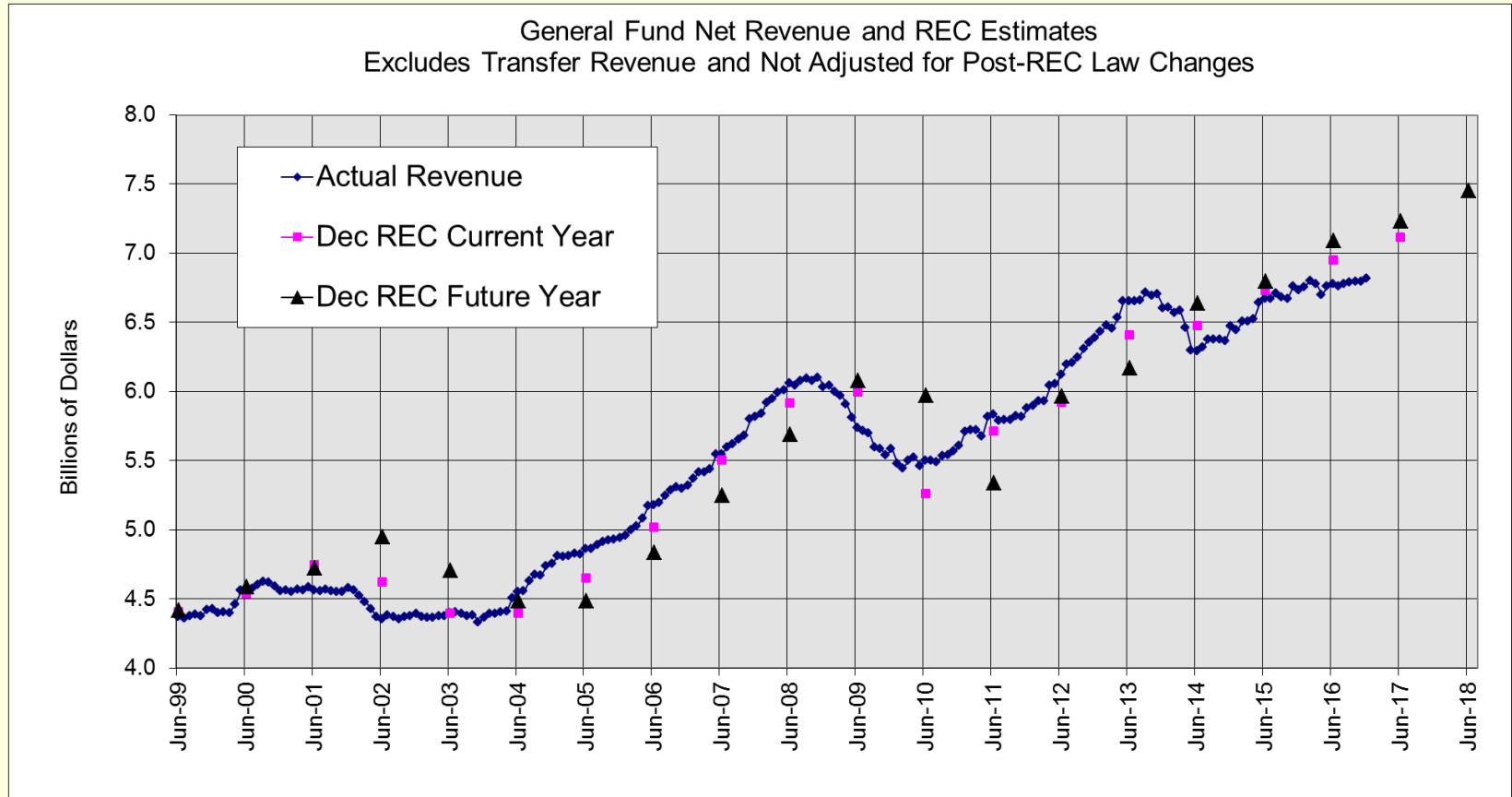
12 Months Ending December 2008



12 Months Ending December 2016

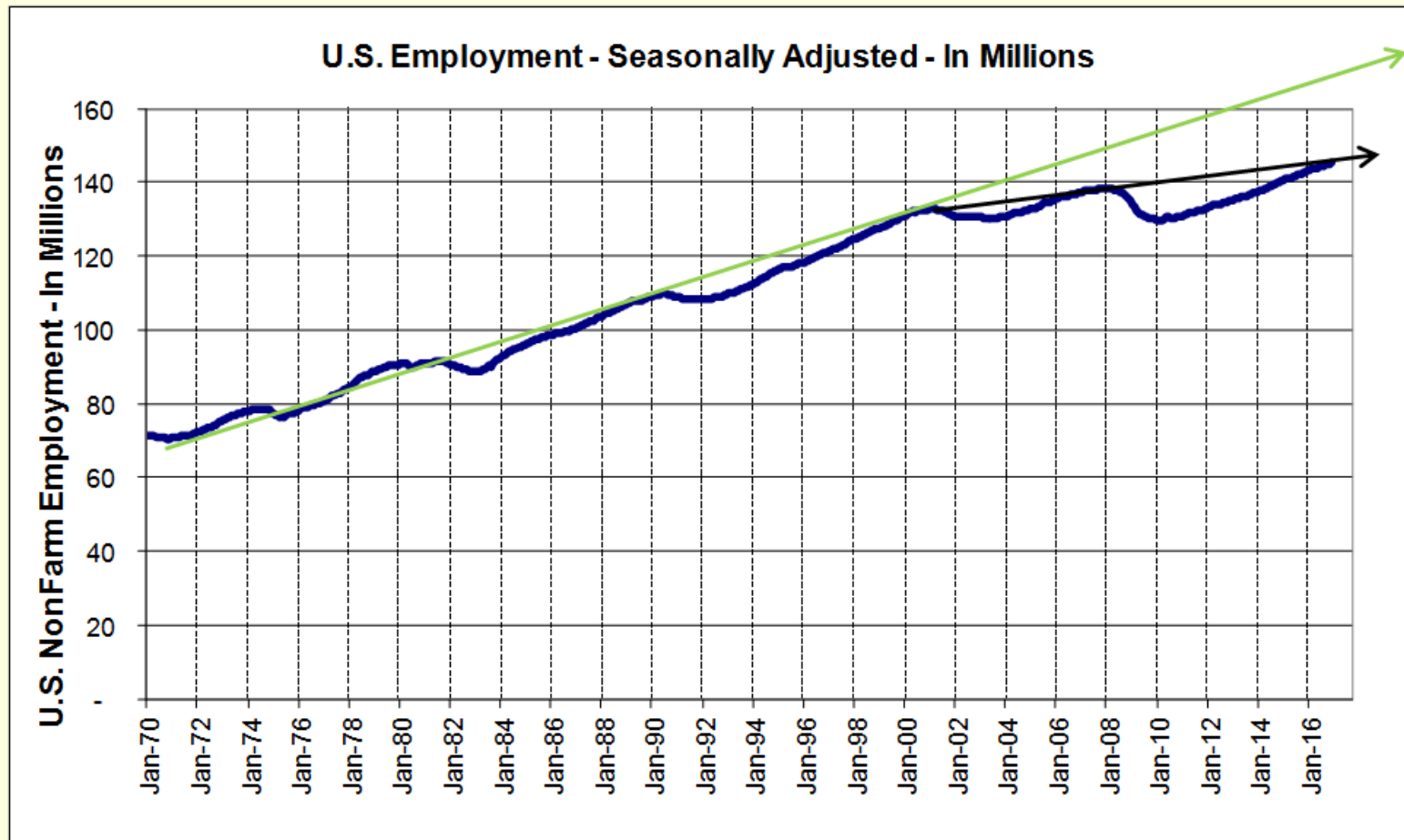


General Fund Revenue – Estimating Accuracy

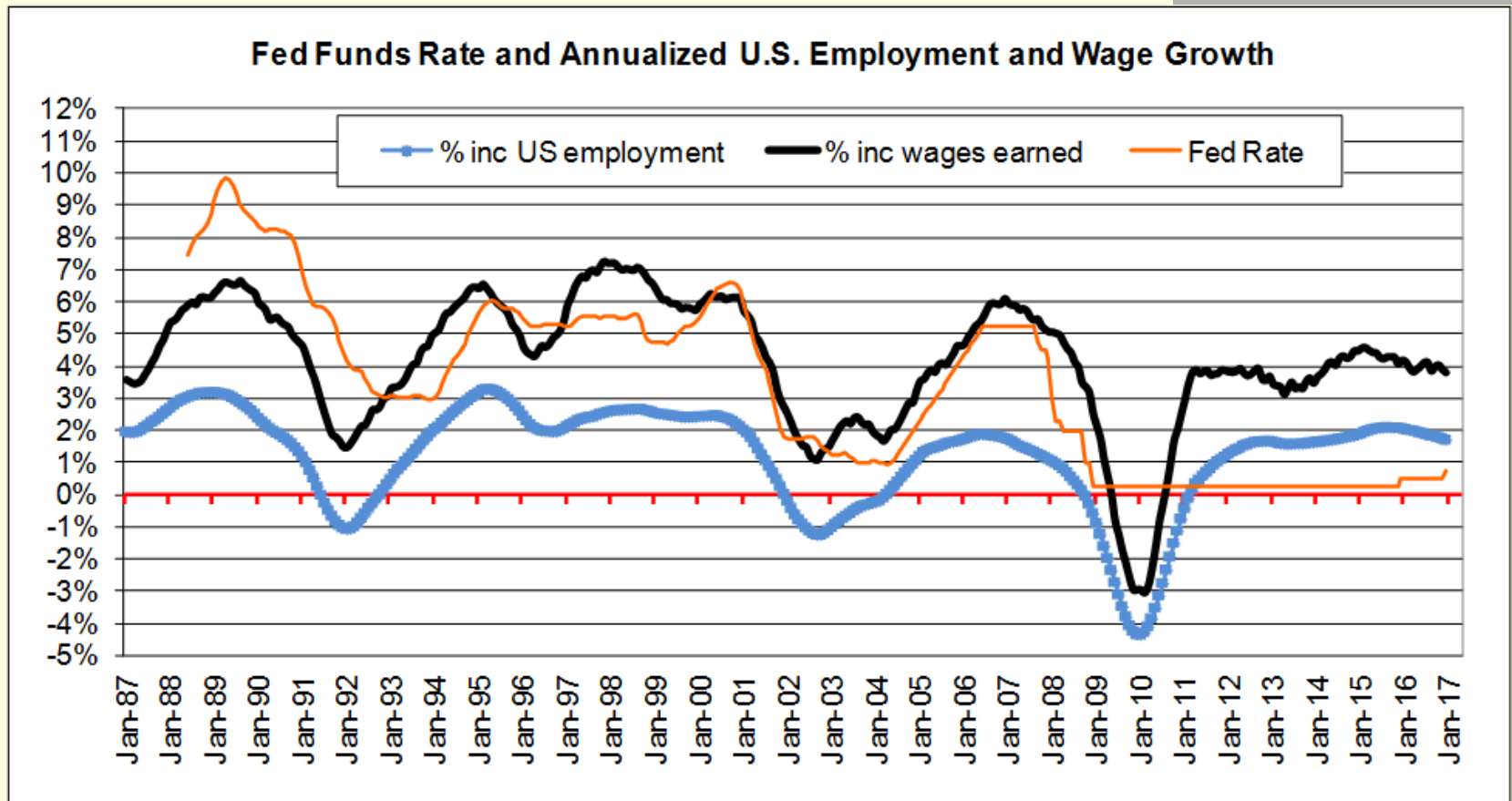


	Original Estimate FY 16	Law Change Adjustments Enacted after the REC and added to Adjustments				Adjusted Dec 2014 FY 16	FY 16	\$ Above (Below) Adjusted	
	Dec 2014	Dec 14	Mar 15	Dec 15	Mar 16	Estimate	Actual	Estimate	% Diff.
Tax Receipts									
Personal Income Tax	\$4,437.1	\$19.4	\$0.5	\$1.5	\$-55.2	\$4,403.3	\$4,355.5	\$-47.8	-1.1%
Sales/Use Tax	2,876.6		-0.9			2,875.7	2,810.5	-65.2	-2.3%
Corporate Income Tax	609.9	-0.2			-7.4	602.3	520.5	-81.8	-13.6%
Inheritance Tax	96.5					96.5	91.8	-4.7	
Insurance Premium Tax	102.6					102.6	119.7	17.1	
Cigarette Tax	0.0					0.0	0.0	0.0	
Tobacco Tax	0.0					0.0	0.0	0.0	
Beer Tax	14.5					14.5	14.1	-0.4	
Franchise Tax	35.0					35.0	52.1	17.1	
Miscellaneous Tax	1.2					1.2	1.5	0.3	
Total Tax Receipts	\$8,173.4	\$19.2	\$-0.4	\$1.5	\$-62.6	\$8,131.1	\$7,965.7	\$-165.4	-2.0%
Other Receipts									
Institutional Payments	\$10.9					\$10.9	\$12.1	\$1.2	
Liquor Profits	98.7					98.7	112.3	13.6	
Interest	3.4					3.4	4.1	0.7	
Fees	27.8					27.8	28.1	0.3	
Judicial Revenue	100.0		12.0			112.0	97.7	-14.3	
Miscellaneous Receipts	39.4					39.4	42.7	3.3	
Racing and Gaming	0.0					0.0	0.0	0.0	
Total Other Receipts	\$280.2	\$0.0	\$12.0	\$0.0	\$0.0	\$292.2	\$297.0	\$4.8	
Gross Tax & Other Receipts	\$8,453.6	\$19.2	\$11.6	\$1.5	\$-62.6	\$8,423.3	\$8,262.7	-\$160.6	
Accruals (Net)	\$27.3					\$27.3	\$14.2	\$-13.1	
Refund (Accrual Basis)	\$-916.6			\$0.4	\$-35.0	\$-951.2	\$-1,018.3	\$-67.1	7.1%
School Infr. Refunds (Accrual)	\$-472.3					\$-472.3	\$-466.9	\$5.4	
Total Net Receipts	\$7,092.0	\$19.2	\$11.6	\$1.9	-\$97.6	\$7,027.1	\$6,791.7	-\$235.4	-3.3%
Transfers (Accrual Basis)									
Lottery	\$76.4		-\$0.4			\$76.0	\$85.5	\$9.5	
Taxpayer Trust Fund	\$0.0					\$0.0	\$0.0	\$0.0	
Other Transfers	26.2					26.2	43.9	17.7	
Net Receipts Plus Transfers	\$7,194.6	\$19.2	\$11.2	\$1.9	-\$97.6	\$7,129.3	\$6,921.1	-\$208.2	-2.9%

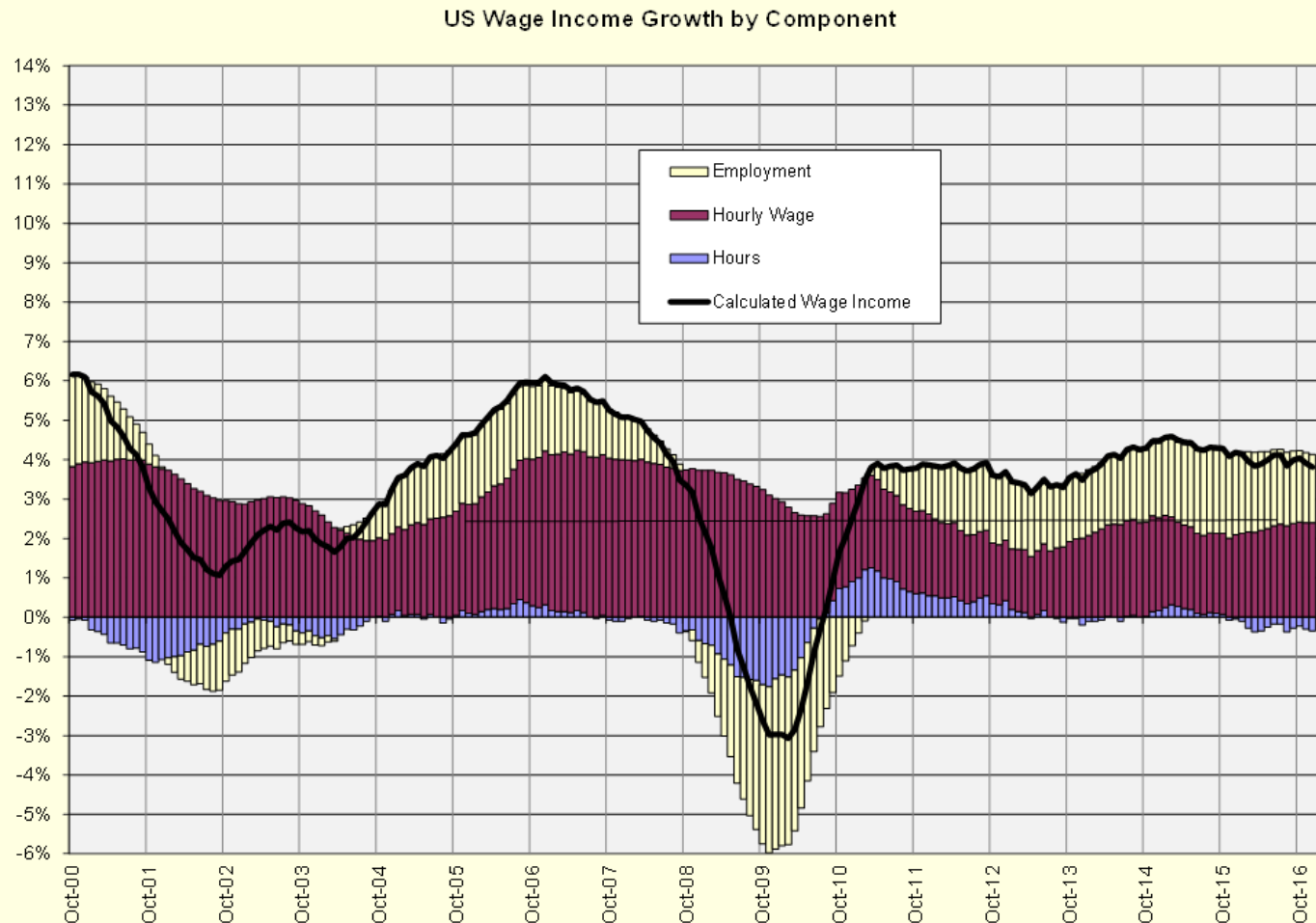
Economic Outlook – U.S. Employment



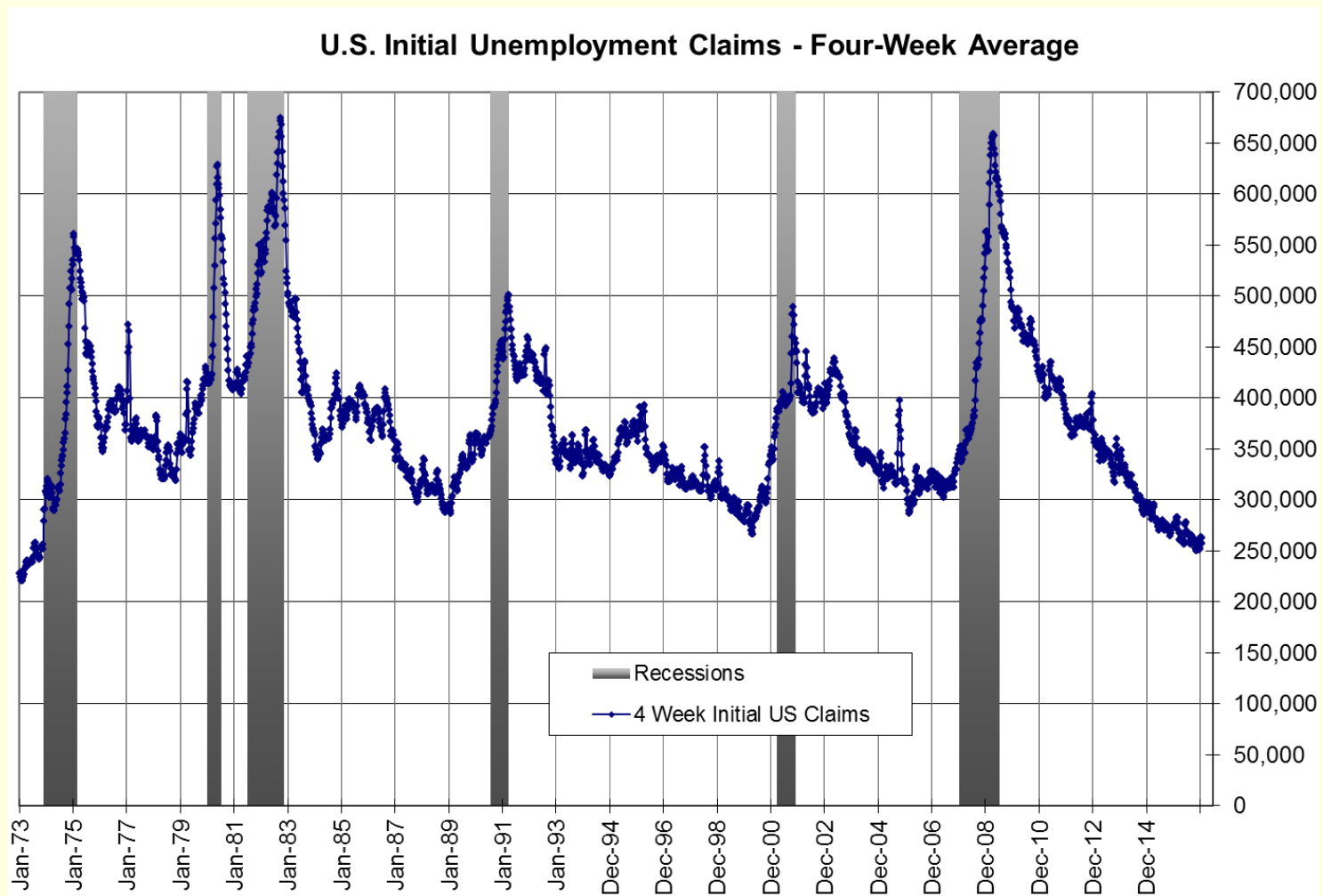
Economic Outlook – U.S. Wage Income Growth



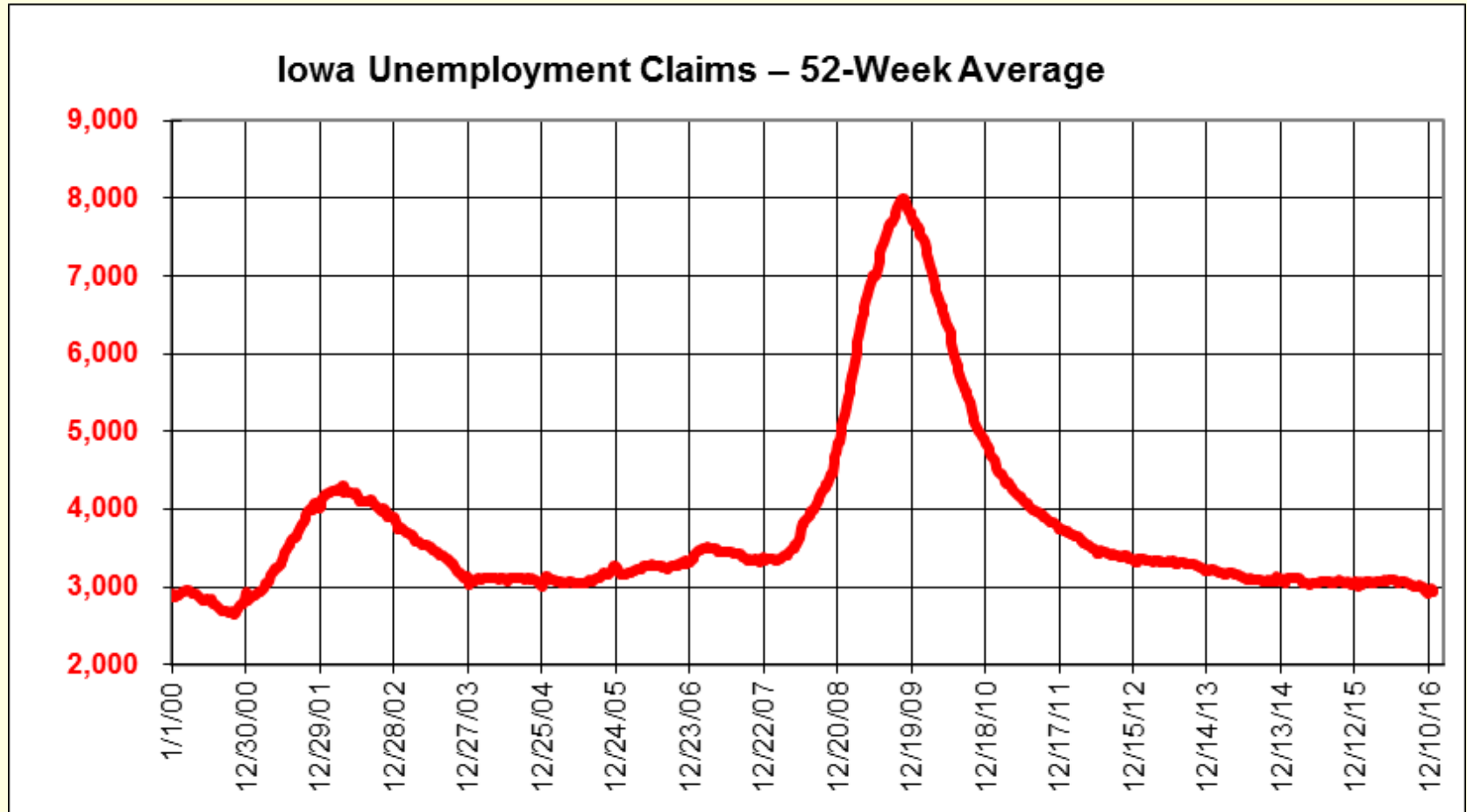
Economic Outlook – U.S. Wage Income Growth



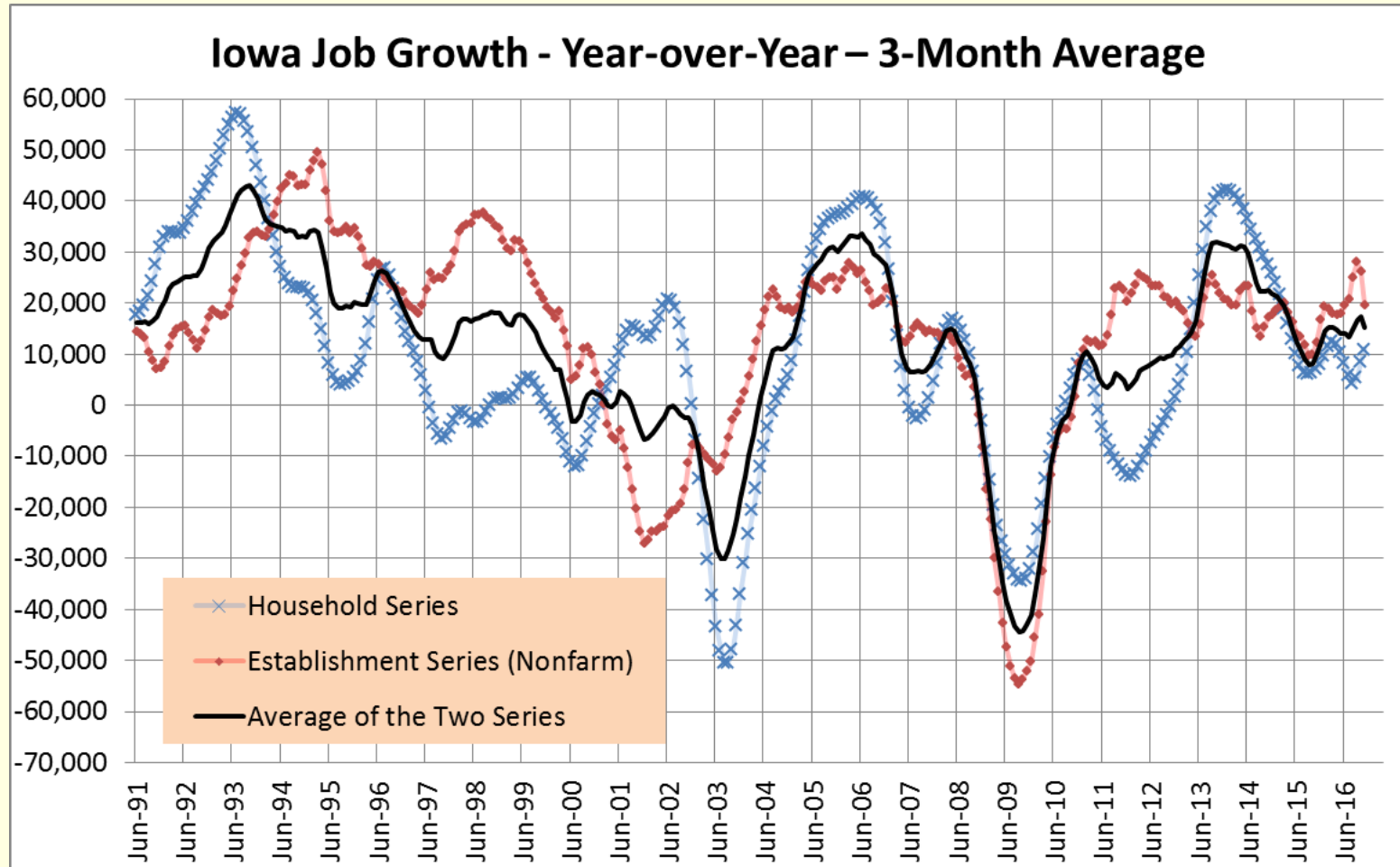
Economic Outlook – U.S. Initial Unemployment Claims



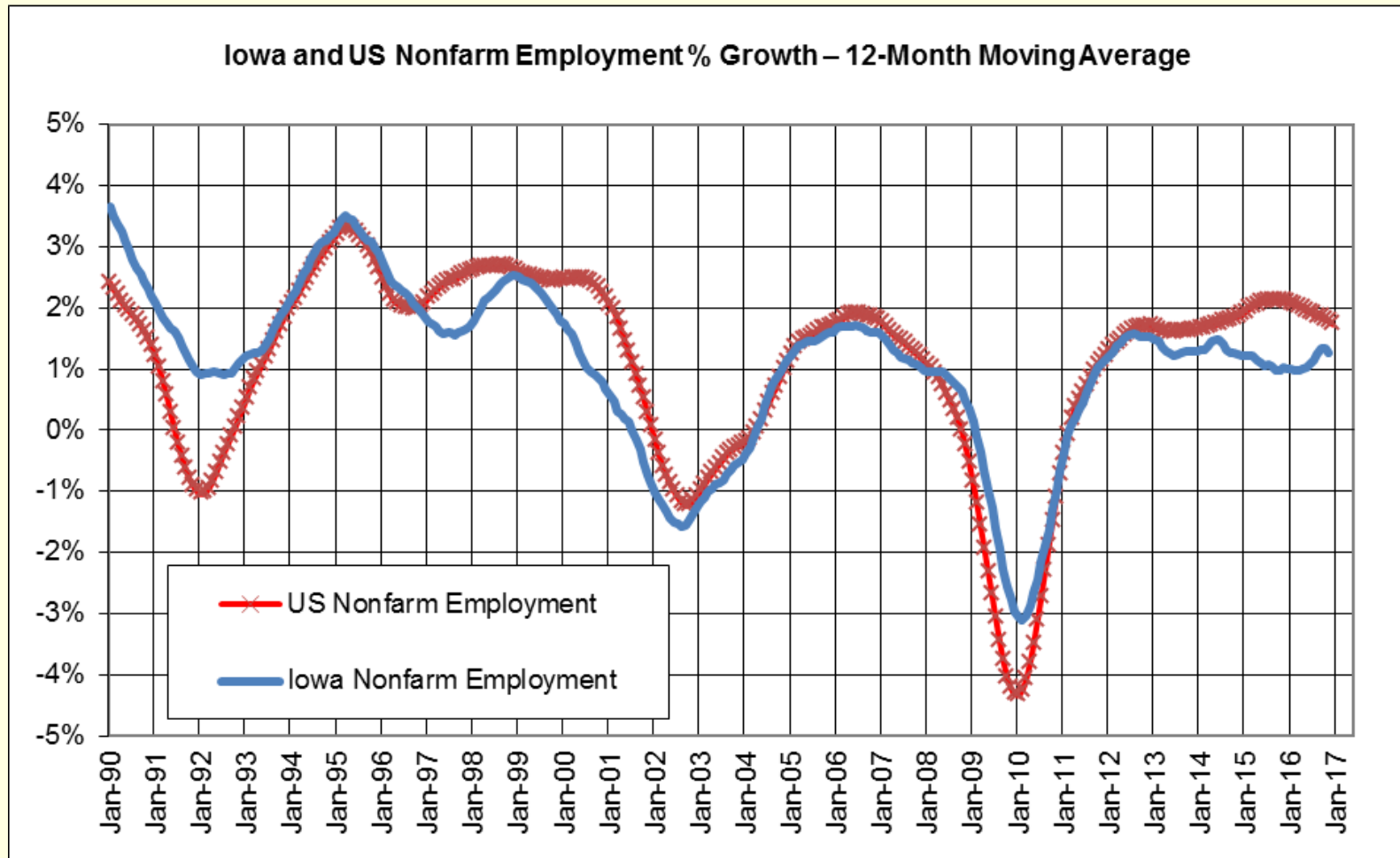
Economic Outlook – Iowa Initial Unemployment Claims



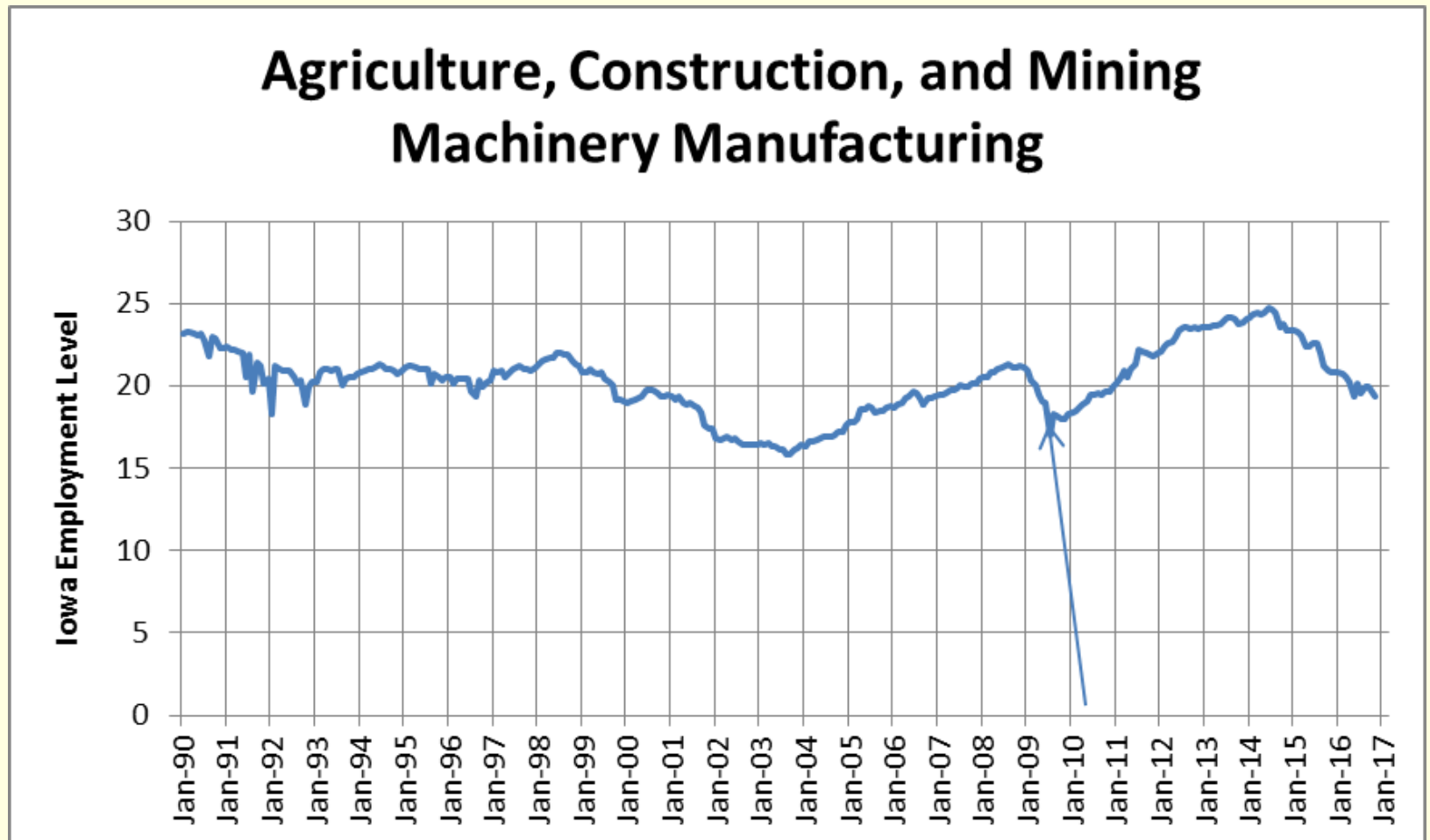
Economic Outlook – Iowa Employment Growth



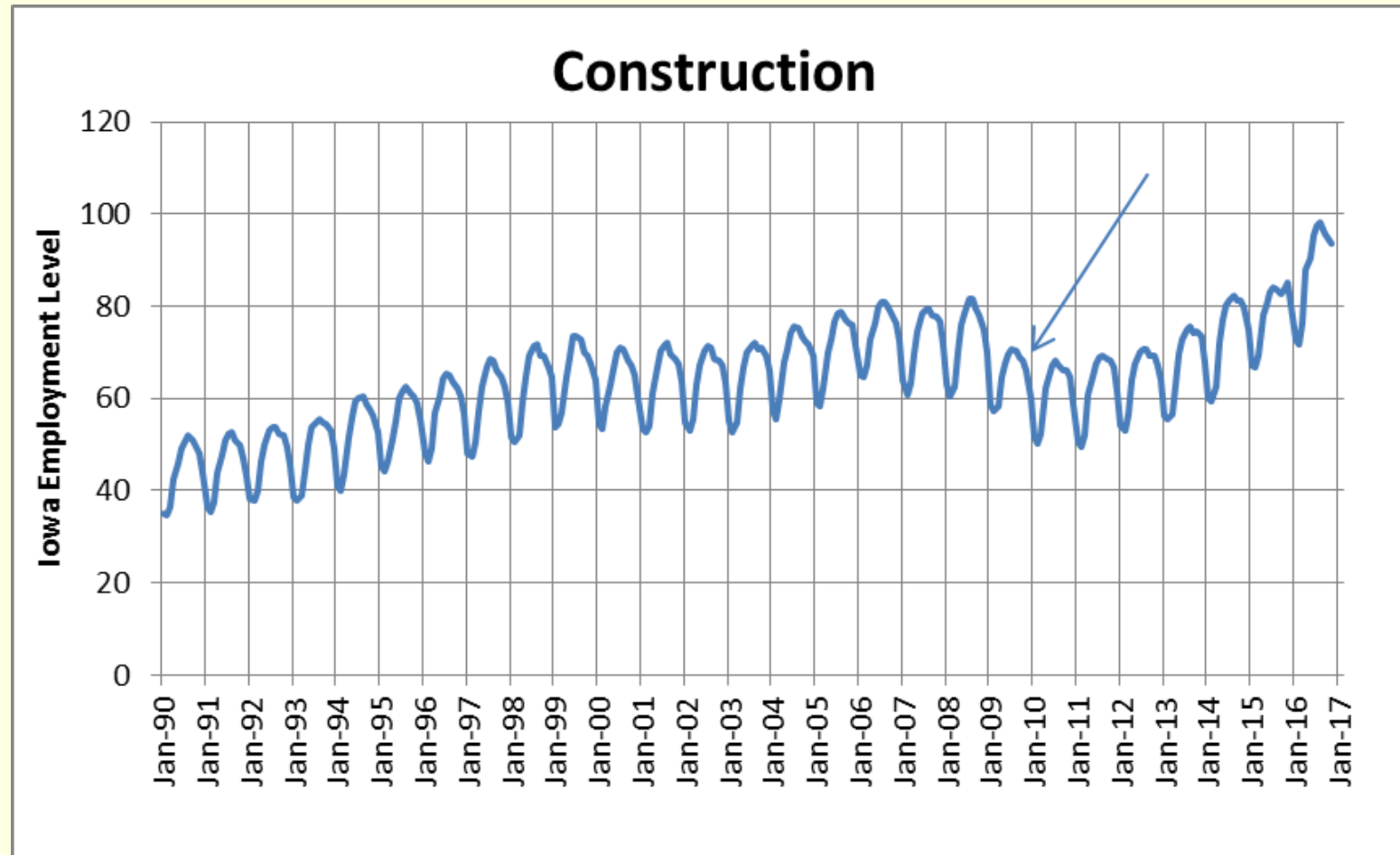
Economic Outlook – Iowa and U.S. Employment Growth



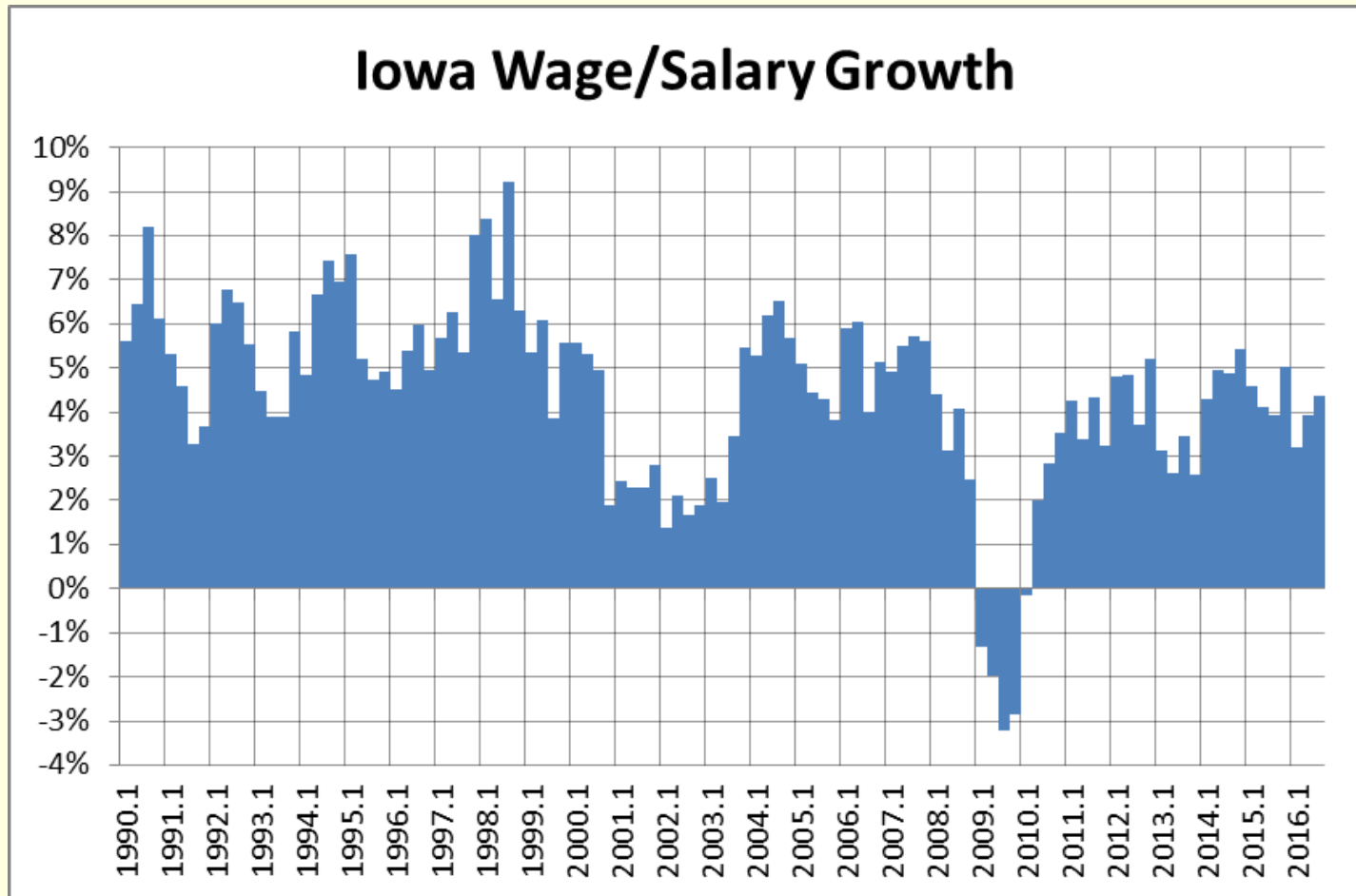
Economic Outlook – Iowa Ag Manufacturing Employment



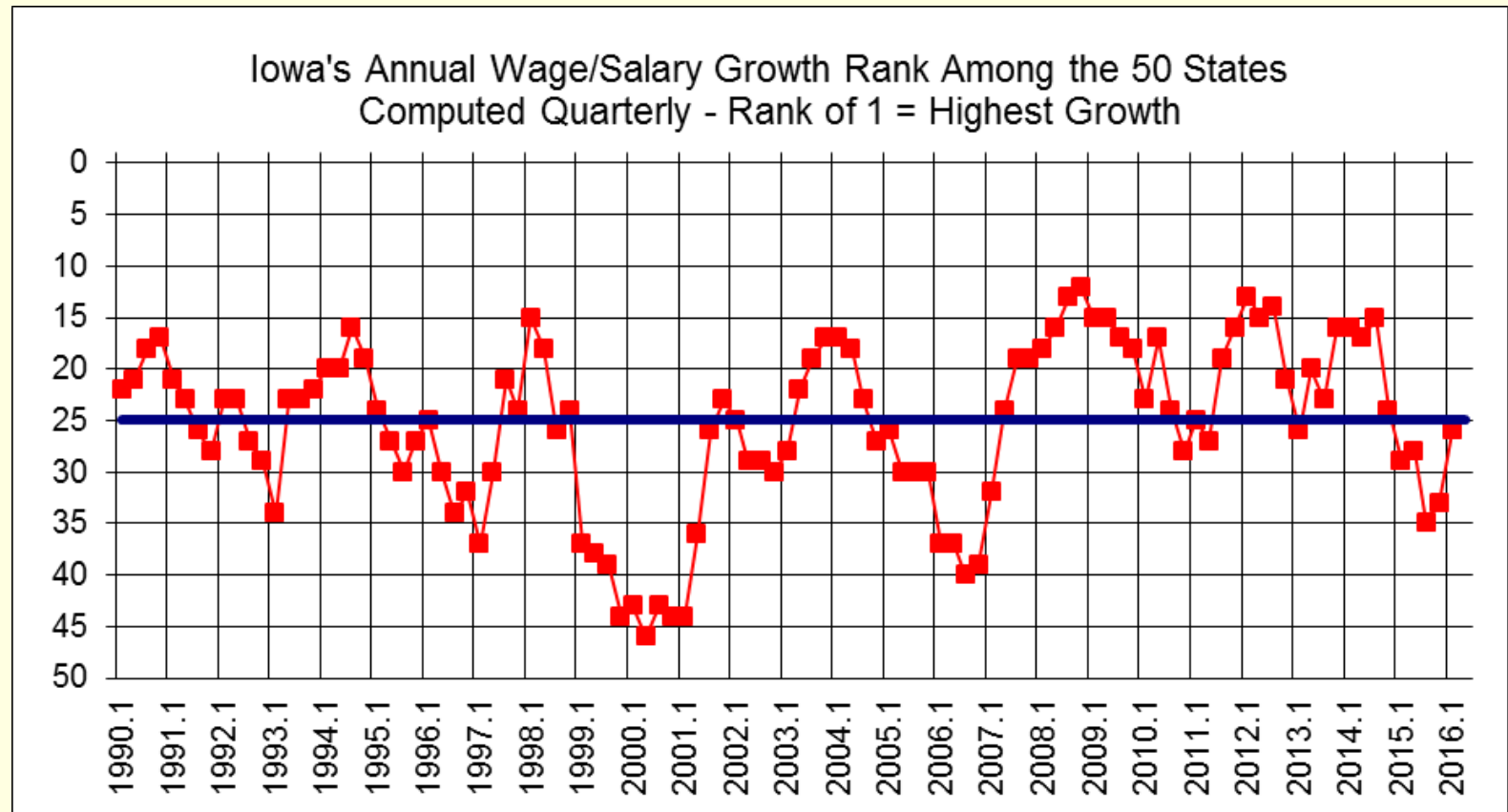
Economic Outlook – Iowa Construction Employment



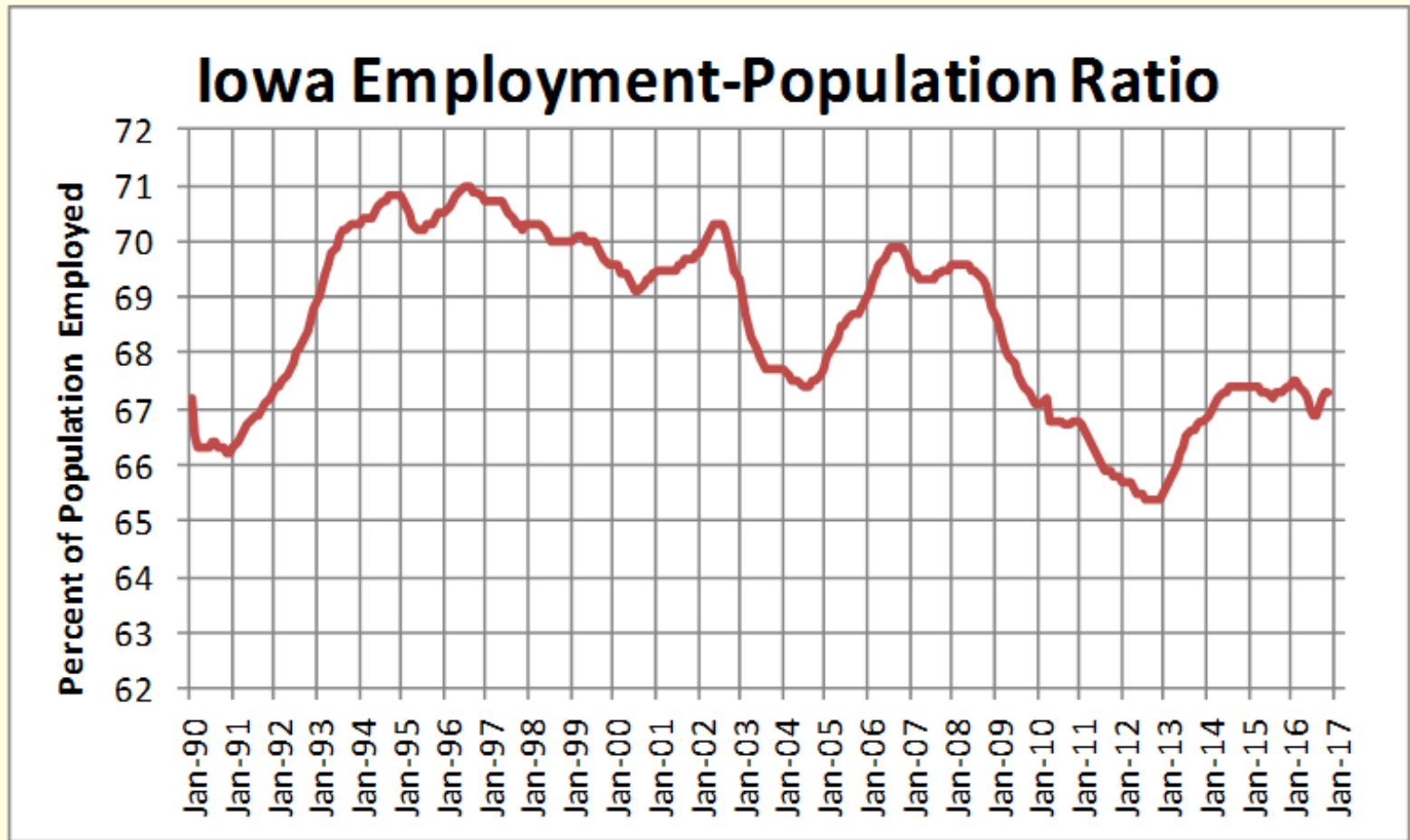
Economic Outlook – Iowa Wage/Salary Growth



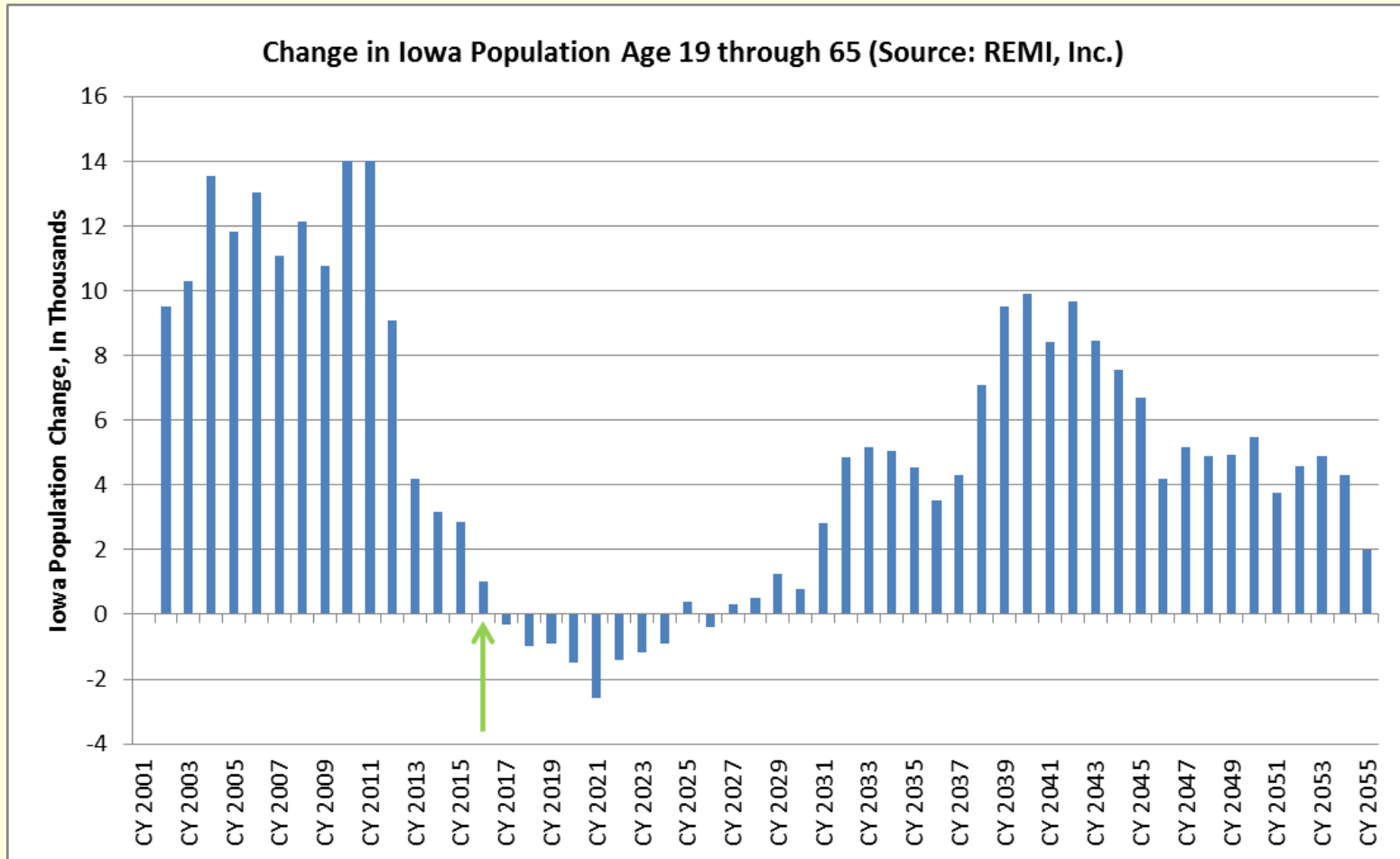
Economic Outlook – Iowa Wage/Salary Growth Rank



Economic Outlook – Iowa Employment-Population Ratio



Economic Outlook – Iowa Working-Age Population Growth



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